| TIMELIN | $\text { VESS } 2$ | Raised 2 |  | High: Low: | $\begin{array}{r} 65.9 \\ 41.4 \\ \hline \end{array}$ | $\begin{aligned} & 59.1 \\ & 48.1 \\ & \hline \end{aligned}$ | $\begin{aligned} & 64.3 \\ & 49.3 \end{aligned}$ | $\begin{array}{l\|} \hline 70.0 \\ 59.8 \end{array}$ | $\begin{aligned} & 69.4 \\ & 56.7 \end{aligned}$ | $\begin{aligned} & 68.8 \\ & 59.7 \end{aligned}$ | $\begin{aligned} & \hline 72.8 \\ & 52.1 \end{aligned}$ | $\begin{aligned} & 65.4 \\ & 46.3 \end{aligned}$ | $\begin{aligned} & 66.2 \\ & 56.9 \end{aligned}$ | $\begin{aligned} & 68.1 \\ & 57.5 \end{aligned}$ | $\begin{aligned} & 72.7 \\ & 61.7 \end{aligned}$ | $\begin{aligned} & 75.9 \\ & 70.3 \end{aligned}$ |  |  | Target Price | Range |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| SAFETY |  | New 7/271 | $90$ | $\begin{array}{\|c\|c\|c\|} \hline \text { LEGEN } \\ \ldots \ldots \\ \text { Rel } \end{array}$ | $\begin{aligned} & \text { NDS } \\ & 1.0 \times \text { "Cash } \\ & .1 \end{aligned}$ | Flow" p |  |  |  |  |  |  |  |  |  |  |  |  |  | 160 |
| TECHNIC | ICAL | Lowered | 0/26/12 | $\begin{aligned} & \because \ldots \\ & \text { 2-for-1 } \\ & \text { Relf } \\ & \text { splif } \end{aligned}$ | $\begin{aligned} & \text { ative } P r_{r} \\ & 6 / 01 \end{aligned}$ | Strength |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| BETA 65 | 5 (1.00 = | Market) |  | Options: $Y$ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 120 |
|  | 6-18 P | JECTIO | NS | Shaded | areas ind | ate recessio |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | Total |  |  |  |  |  |  |  | - |  |  |  |  |  |  |  |  |  |
| High | Price | Gain 45\%) |  | , 听 | , |  | 吅 |  |  | , |  | / $1^{\prime \prime}$ |  |  |  |  |  |  |  | 60 50 |
| Ligh |  | 20\%) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 40 |
| Insider | Decisi | ns |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 30 |
|  | M A M | J J A | S O N |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| ${ }^{\text {lo }}$ Opuy | 000 | 020 | 221 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| to Sell | 000 | 00 | 211 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | RETURN 1/13 | -15 |
| Institut | tional D | ecision |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | THIS VLARITH.* |  |
|  | 102012 | 202012 | 302012 | Percent |  |  |  |  |  |  |  |  |  |  |  |  |  |  | STOCK INDEX |  |
| to Buy to Sell | 792 786 | 894 | 756 <br> 844 | shares |  |  |  |  |  |  |  |  |  |  |  |  |  | 1 3 yr. 3 yr. | $\begin{array}{ll}16.3 & 16.8 \\ 30.8 & 54.1\end{array}$ |  |
| to Sell Hld's(000) 1 | $\begin{gathered} 786 \\ 175495316 \end{gathered}$ | $\begin{array}{r} 717 \\ 6493831 \\ \hline \end{array}$ | 844 774541 |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 5 yr . | 38.4588 |  |
| 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | $\bigcirc$ © VAL | UE LINE PUB. LLC | 16-18 |
| 8.41 | 8.80 | 9.88 | 10.47 | 10.83 | 12.23 | 14.10 | 15.94 | 16.98 | 18.43 | 21.51 | 23.02 | 22.47 | 22.49 | 23.87 | 24.20 | 26.15 | 27.40 | Sales | er sh A | 32.60 |
| 1.62 | 1.83 | 2.03 | 2.27 | 2.46 | 2.85 | 3.36 | 3.84 | 4.25 | 4.60 | 5.23 | 5.70 | 5.69 | 5.92 | 6.25 | 6.45 | 6.90 | 7.35 | "Cash | Fow" per sh | 8.75 |
| 1.21 | 1.34 | 1.49 | 1.70 | 1.91 | 2.23 | 2.70 | 3.10 | 3.50 | 3.76 | 4.15 | 4.57 | 4.63 | 4.76 | 5.00 | 5.10 | 5.43 | 5.80 | Earning | s per sh B | 7.25 |
| . 43 | . 49 | . 55 | . 62 | . 70 | . 80 | . 92 | 1.10 | 1.28 | 1.46 | 1.62 | 1.80 | 1.93 | 2.11 | 2.25 | 2.40 | 2.56 | 2.74 | Div'ds | Decl'd per sh Cm | 3.30 |
| . 52 | . 54 | . 62 | . 59 | . 57 | . 71 | . 76 | . 73 | . 88 | . 92 | 1.04 | 1.11 | . 86 | . 87 | 1.06 | 1.00 | 1.05 | 1.05 | Cap'IS | ending per sh | 1.15 |
| 4.59 | 5.06 | 5.83 | 6.76 | 7.95 | 7.65 | 9.05 | 10.71 | 12.73 | 13.59 | 15.25 | 15.35 | 18.37 | 20.66 | 20.95 | 23.25 | 25.70 | 28.50 | Book Va | alue per sh D | 38.30 |
| 2690.3 | 2688.1 | 2779.4 | 2781.9 | 3047.2 | 2968.3 | 2968.0 | 2971.0 | 2974.5 | 2893.2 | 2840.2 | 2769.2 | 2754.3 | 2738.1 | 2724.4 | 2780.0 | 2750.0 | 2730.0 | Comm | S Shs Outst'g E | 2680.0 |
| 24.9 | 28.1 | 31.6 | 26.4 | 27.2 | 25.9 | 19.4 | 18.1 | 18.5 | 16.6 | 15.4 | 14.3 | 12.5 | 13.1 | 12.7 | 13.1 | Bold figu | ures are | Avg A | 'I P/E Ratio | 13.5 |
| 1.44 | 1.46 | 1.80 | 1.72 | 1.39 | 1.41 | 1.11 | . 96 | . 99 | . 90 | . 82 | . 86 | . 83 | . 83 | . 80 | . 82 |  |  | Relativ | P/E Ratio | . 90 |
| 1.4\% | 1.3\% | 1.2\% | 1.4\% | 1.3\% | 1.4\% | 1.8\% | 2.0\% | 2.0\% | 2.3\% | 2.5\% | 2.8\% | 3.3\% | 3.4\% | 3.5\% | 3.6\% |  |  | Avg An | 'II Div'd Yield | 3.3\% |
| CAPITAL | L STRUC | TURE | of 9/30 |  |  | 41862 | 47348 | 50514 | 53324 | 61095 | 63747 | 61897 | 61587 | 65030 | 67224 | 71900 | 74800 | Sales | mill) A | 87400 |
| Total De | bt \$16,85 | 51 mill. D | ue in 5 Y | rs \$9,000 | 0 mill. | 31.3\% | 31.6\% | 30.6\% | 28.7\% | 29.4\% | 29.5\% | 31.6\% | 31.4\% | 32.3\% | 35.5\% | 35.5\% | 35.6\% | Operati | g Margin | 37.8\% |
| LT Deb | \| \$11,428 | mill | Interes | st \$500n n |  | 1869 | 2124 | 2093 | 2177 | 2777 | 2832 | 2774 | 2939 | 3158 | 3600 | 3700 | 3800 | Depre | ation (\$mill) | 4000 |
|  |  |  |  |  |  | 8097 | 9298 | 10545 | 11133 | 12085 | 12949 | 12906 | 13279 | 13867 | 14345 | 15300 | 16200 | Net Pr | it (\$mill) | 19500 |
| Leases, | Uncapit | alized An | nual ren | tals \$188 | 0 mill. | 30.2\% | 27.6\% | 24.8\% | 23.3\% | 22.1\% | 23.5\% | 22.0\% | 21.1\% | 20.1\% | 21.2\% | 22.0\% | 22.0\% | Income | Tax Rate | 23.0\% |
|  |  |  |  |  |  | 19.3\% | 19.6\% | 20.9\% | 20.9\% | 19.8\% | 20.3\% | 20.9\% | 21.6\% | 21.3\% | 21.3\% | 21.3\% | 21.6\% | Net Prof | it Margin | 22.3\% |
| Pension | Assets- | 12/11 \$1 | 3.7 bill. O | Oblig. \$17 | 7.4 bill. | 9547 | 13393 | 18759 | 3814 | 10108 | 13525 | 17810 | 24235 | 31505 | 21200 | 23700 | 26200 | Worki | Cap'l (\$mill) | 35800 |
| Preferre | Stock | None |  |  |  | 2955 | 2565 | 2017 | 2014 | 7074 | 8120 | 8223 | 9156 | 12969 | 11600 | 11800 | 12100 | Long-Te | rm Debt (\$mill) | 13100 |
|  |  |  |  |  |  | 26869 | 31813 | 37871 | 39318 | 43319 | 42511 | 50588 | 56579 | 57080 | 64700 | 70700 | 77800 | Shr. Equ | uity (\$mill) | 102600 |
| Comm | Stock | 2,771,26 | 1,581 sh | ares |  | 27.4\% | 27.3\% | 26.5\% | 27.1\% | 24.1\% | 26.0\% | 22.3\% | 20.6\% | 20.2\% | 19.0\% | 19.0\% | 19.0\% | Return | on Total Cap'l | 17.0\% |
| as of 10 | /26/12 |  |  |  |  | 30.1\% | 29.2\% | 27.8\% | 28.3\% | 27.9\% | 30.5\% | 25.5\% | 23.5\% | 24.3\% | 22.0\% | 21.5\% | 21.0\% | Return | on Shr. Equity | 19.0\% |
| MARKET | T CAP: \$ | 210 billi | on (Larg | Cap) |  | 19.9\% | 19.0\% | 17.8\% | 17.5\% | 17.1\% | 18.6\% | 15.0\% | 13.2\% | 13.5\% | 12.0\% | 11.5\% | 11.5\% | Retaine | do Com Eq | 10.5\% |
| CURREN | NT POSI | ION | 2010 | 2011 | 9/30/12 | 34\% | 35\% | 36\% | 38\% | 39\% | 39\% | 41\% | 44\% | 44\% | 46\% | 46\% | 46\% | All Div'd | ds to Net Prof | 46\% |


| (\$MILL.) |  |  |  |
| :--- | ---: | ---: | ---: |
| Cash Assets | 27658 | 32261 | 19771 |
| Receivables | 9774 | 10581 | 11175 |
| Inventory (FIFO) | 5378 | 6285 | 7809 |
| Other | 4497 | 5189 | 6036 |
| Current Assets | 47307 | 54316 | 44791 |
| Accts Payable | 5623 | 5725 | 5344 |
| Debt Due | 7617 | 6658 | 5423 |
| Other | $\underline{9832}$ | 10428 | 13168 |
| Current Liab. | 23072 |  | 22811 |
|  |  | 23935 |  |


| ANNUAL RATES | Past | Past |  |
| :--- | ---: | ---: | :---: | Est'd '09.'11


| Cal- <br> endar | QUARTERLY SALES (\$ mill.) A <br> Mar.Per Jun.Per Sep.Per Dec.Per |  |  |  | Full <br> Year |
| :---: | :---: | :---: | :---: | :---: | ---: |
| 2010 | 15631 | 15330 | 14982 | 15644 | 61587 |
| 2011 | 16173 | 16597 | 16005 | 16255 | 65030 |
| 2012 | 16139 | 16475 | 17052 | 17558 | 67224 |
| 2013 | 17600 | 18000 | 17900 | 18400 | 71900 |
| 2014 | 18300 | 18700 | 18600 | 19200 | 74800 |
| Cal- | EARNINGS PER SHARE AB |  |  |  | Full |
| endar | Mar.Per Jun.Per Sep.Per Dec.Per | Year |  |  |  |
| 2010 | 1.29 | 1.21 | 1.23 | 1.03 | 4.76 |
| 2011 | 1.35 | 1.28 | 1.24 | 1.13 | 5.00 |
| 2012 | 1.37 | 1.30 | 1.25 | 1.19 | 5.10 |
| 2013 | 1.40 | 1.38 | 1.35 | 1.30 | 5.43 |
| 2014 | 1.49 | 1.47 | 1.44 | 1.40 | 5.80 |
| Cal- | QUARTERLY DIVIDENDS PAID C. | Full |  |  |  |
| endar | Mar.31 | Jun.30 | Sep.30 | Dec.31 | Year |
| 2009 | .46 | .49 | .49 | .49 | 1.93 |
| 2010 | .49 | .54 | .54 | .54 | 2.11 |
| 2011 | .54 | .57 | .57 | .57 | 2.25 |
| 2012 | .57 | .61 | .61 | .61 | 2.40 |
| 2013 | 61 |  |  |  |  |

BUSINESS: Johnson \& Johnson is engaged in the research \& de- ogy, circulatory disease management, orthopedic joint reconstrucvelopment, manufacture, and sale of a broad range of products in the healthcare field. Has three business segments: Consumer (baby care, skin care, oral care, wound care, etc.), Pharmaceutical (antiinfective, antipsychotic, contraceptive, dermatology, gastrointestinal, etc.), and Medical Devices \& Diagnostics (electrophysiol
J ohnson \& J ohnson finished up 2012 on a good note. Revenues rose $8 \%$ compared to a year ago, to $\$ 17.6$ billion, which was $\$ 76$ million lighter than our target and $\$ 112$ below the consensus estimate. Adjusted share earnings came in at \$1.19, a 5\% increase. Both Value Line and Wall Street analysts, on average, were looking for share net of $\$ 1.17$.
The top and bottom lines should advance nicely this year. We cut $\$ 500$ million from our revenue target, but still expect a full-year gain of $7 \%$. We think the Consumer division's ongoing slump will continue in 2013, as sales growth here will likely be negligible. The Pharmaceutical group is poised to perform well, and ought to manage about 4\% top-line growth. The Medical Devices \& Diagnostics unit's revenues should keep climbing at a double digit pace in the first half, thanks to last year's addition of Synthes. Comparisons will be more difficult in the back half of 2013, but sales growth should remain in the mid-single digits. Both the EBITDA and profit margins will likely hold steady, and share repurchases probably will not amount to enough to push share-earnings
ogy, circulatory disease management, orthopedic joint reconstruc-
tion, etc.). Employs about 114,000 . Officers \& directors own less than $1 \%$ of common stock; BlackRock, 5.2\%; State Street, 5.0\% (3/11 Proxy). Chairman \& CEO: W. C. Weldon. Incorporated: NJ. Address: One Johnson \& Johnson Plaza, New Brunswick, NJ 08933. Telephone: 732-524-0400. Internet: www.jnj.com.
growth past the 7\% mark. Consequently, we look for share net of $\$ 5.43$ this year, down a nickel from our previous call and near the mid-point of management's guidance range.
We have rolled out our presentation, and J NJ holders should be reasonably happy with what they see. In 2014, we look for sales and share-earnings growth of $4 \%$ and $7 \%$, respectively. Over the pull to 2016-18, we think top-line growth will average just over 5\% a year. Meanwhile, annual share-net advances of just under 8\% should be in the cards.
This top-quality blue chip is timely. Recent earnings gains have been decent, as the company has struggled to overcome some obstacles. However, things seem to be looking up, and investors are diving in. Indeed, this normally ultra-stable issue is up $9 \%$ in the past three months, and our Timeliness Ranking System pegs JNJ stock to outperform in the year ahead. Looking longer term, we have boosted the top and bottom bounds of our Target Price Range, but this stock is best suited for conservative income seekers.
Erik A. Antonson
F ebruary 22, 2013
A) Years end on last the Sunday in December (B) Primary EPS thru '96, diluted thereafter Excludes nonrecurring: '98, 22¢; '99, 2c; '01 d7¢; '02, d7c; '03 d30c; '04, d26¢; '05, d4c;
'06, d3¢; '07, d52¢; '09, d23¢;' '10, 2¢; '11, $\quad$ Dividend reinvestment plan available. d $\$ 1.51$; '12, d $\$ 1.24 \mathrm{c}$. Next earnings report due (D) Includes intangibles. In '11: $\$ 34.3$ billion, late April. (C) Dividends historically paid:

